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31 January 1976

MEMORANDUM FOR: Director of Central Intelligence

SUBJECT : White House Option

1. From what you told me yesterday, two major problems seem to be outstanding. Defense's share of intelligence budget and output is treated in a separate paper. This paper deals with the membership of the FIC and its relationship to the Advisory Group.

2. The question would appear to be whether State and Treasury should be added to the FIC or, alternatively, whether their concerns can be met by giving added functions to the Advisory Group. I think the answer to both of these should be no. There are two basic principles involved, as well as practical considerations. The principles are:

-- The FIC must be kept small if it is to be workable.

-- The Advisory Group must have no operational role if clear lines of authority are to be maintained.

3. There would be some advantages for you in having a State member in FIC, and indeed Colby's original proposal provided for one. I gather, however, that Defense found this very hard to swallow in that State, with no assets of its own, was being invited to play around with Defense assets. Defense even sees in this a precedent for eventual State review of the full Defense budget. I suggest you go along with Defense on this. You can do without a State member and solve that problem in other ways. But you are going to have to oppose Defense on its major objection, and that will go down a lot easier if you go along with Defense on the membership question.

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4. All the arguments against State are even stronger against Treasury. Treasury takes a lot from intelligence and contributes virtually nothing to it. There is little understanding in Treasury of intelligence issues. Treasury membership on a "board of directors" for national intelligence would be grotesque. Moreover, if Treasury were a member, it would be difficult to argue against JCS and then against ERDA, etc. Much better to stay with a three-man group.

5. Both State and Treasury have legitimate concerns as consumers, however, and State has concerns as a producer of national intelligence. These sort out roughly as follows:

-- Consumers, as policy officers, have an interest in the evaluation of product and in the general thrust of the collection-production effort. This is now a function of NSCIC and in the new scheme would be assigned to the Advisory Group.

-- Producers, as intelligence officers, have strong and quite specific interests in requirements, tasking, and guidance to collectors. This function is now divided among EXCOM, USIB, several of the USIB Committees, and ad hoc arrangements between individual producers and collectors. Under the new scheme, the function as a whole would be assigned to the FIC, with the implicit understanding that one of FIC's first tasks would be to rationalize this structure.

-- State, Treasury, and others, as institutions, have a strong interest in ensuring that the views of their intelligence officers (and often in the real world their policy officers) are reflected in national intelligence products. This interest is now met through their membership on USIB and some of its other Committees. It is so far only implicit in the new scheme that you will protect these interests. (Bill's version specified a National Intelligence Board for this purpose.)

6. It appears to me that the concerns expressed yesterday by Kissinger relate directly to these functions and not to the greater management aspects of FIC. I believe they can be met without expanding its core membership. You should consider:

-- First, drop the concept of "observers" in the FIC, and especially avoid having any directive that specifies who the observers are. Otherwise, you are likely to have every Tom, Dick, and Harry in the federal establishment clamoring to get in and peer over your shoulder while you try to horse-trade with Ellsworth and Hyland.

-- Second, have the directive state that the Chairman of the FIC will invite representatives of non-member agencies to participate whenever they have a major interest. For instance, you would as a matter of course invite the Deputy Secretaries of State and Treasury to participate in FIC discussion of collection needs, but not in development and management of systems designed to meet those needs.

-- Third, make it explicit that INR's full membership in the USIB Committees dealing with collection, or whatever replaces them, will be maintained.

-- Fourth, make explicit the continued existence of a successor board to USIB, advisory to the DCI. This Committee will have as members the heads of the major producing intelligence agencies, including INR, and will assume those functions of USIB that are not transferred to the FIC, including the production of National Intelligence Estimates. The right of dissent will be maintained.

7. The Advisory Group is another sort of problem. As I noted yesterday, it probably won't work, but on the other hand is not essential to the scheme. The ideal course would be to eliminate it in favor of some sort of working group under FIC (with State and Treasury participants, of course). Duval tells me, however, that some sort of independent body--external to the Community--is a political necessity. That being the case, you might want to push for merging the Advisory Group into the NSC itself. This would be less cumbersome and no less effective. If this won't fly, you can readily live with the Advisory Group with functions as presently defined.

State and Treasury are members and thus have a major voice in an area--product review--where they have major concerns. The Advisory Group is a proper locus for this, and can in addition set policy for the FIC. But it would be a bad mistake to give it any sort of role in requirements or production. This would cross wires with the FIC in a way that would make present arrangements look like a model of good management.



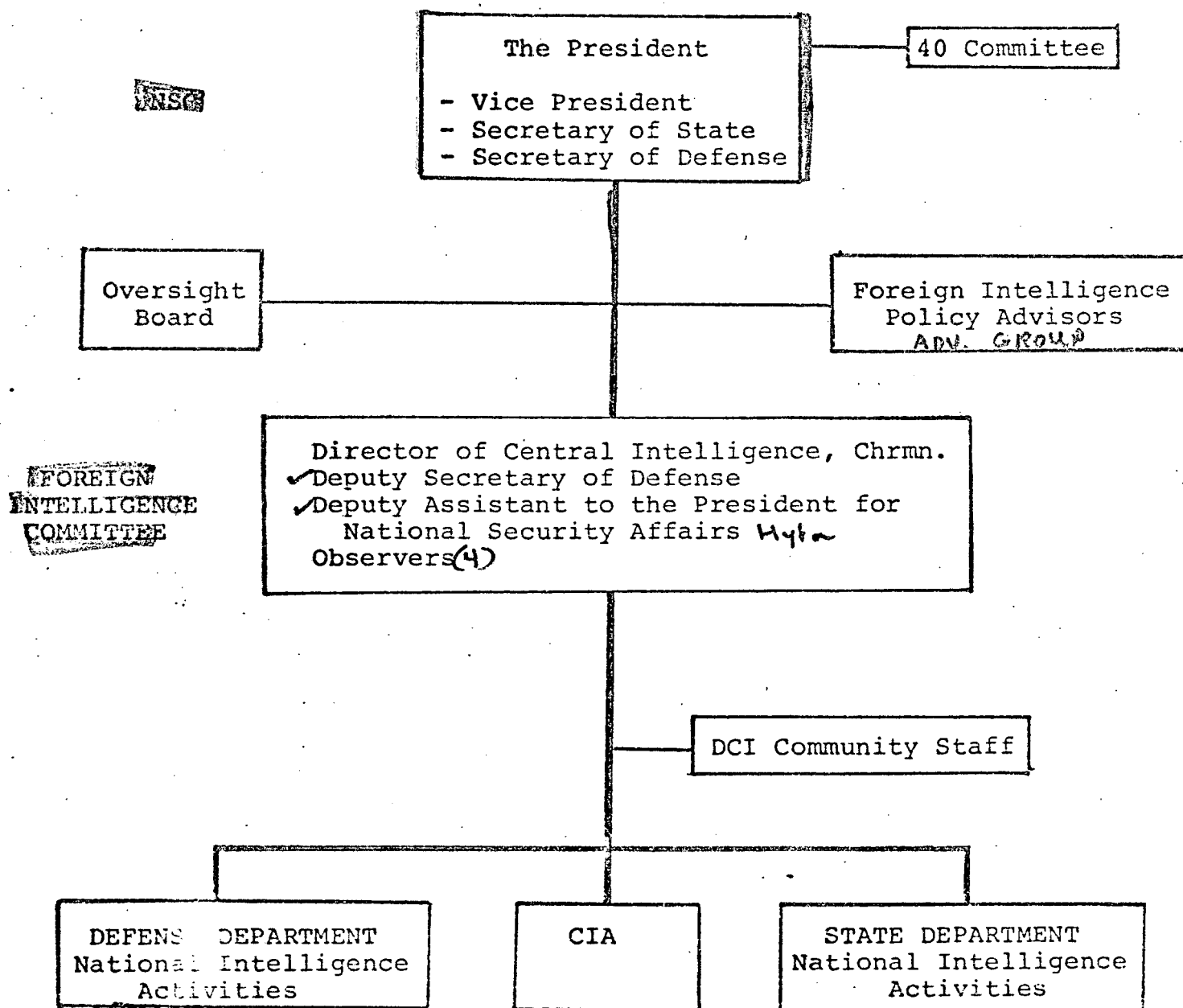
RICHARD LEHMAN

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FOREIGN INTELLIGENCE
POLICY AND RESOURCE CONTROL

(Note: Intelligence product
continues to flow
directly from the DCI
to the NSC)



FACT SHEET

FOREIGN INTELLIGENCE ADVISORY GROUP

The Foreign Intelligence Advisory Group shall be composed of:

Assistant to the President for National
Security Affairs
Secretary of State
Secretary of Defense
Secretary of Treasury
Attorney General
Chairman of the Joint Chiefs of Staff
Director of the Office of Management and Budget
Director of Central Intelligence

← Observers — *not named yet.*

The Foreign Intelligence Advisory Group shall:

- Conduct a periodic review of national intelligence priorities and requirements.
- Review the production of finished intelligence with respect to relevance to the policy concerns of the consumer and overall quality.
- ✓ • Review at least annually the program of the 40 Committee.

The Foreign Intelligence Advisory Group shall be supported by the NSC staff.

FACT SHEET

FOREIGN INTELLIGENCE COMMITTEE

The Foreign Intelligence Committee shall be composed of:

Director of Central Intelligence, Chairman

Director of Central Intelligence, Chairman
Deputy Secretary of Defense for Intelligence
Deputy Assistant to the President
for National Security Affairs
Observers

It shall report directly to the NSC.

The Foreign Intelligence Committee shall:

- Act as a board of directors for national intelligence.
- Give direction and guidance on national substantive intelligence needs.
- Control resource allocation for the National Foreign Intelligence Program.
- Establish intelligence requirements and give guidance on ~~the~~ collection and production of national intelligence, security of intelligence material and arrangements with foreign countries. *(needs for)*

The Foreign Intelligence Committee shall be supported by the Intelligence Community staff, headed by the Deputy to the Director of Central Intelligence for the Intelligence Community.

FACT SHEET

FOREIGN INTELLIGENCE ADVISORY GROUP

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Assistant to the President for National
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Secretary of State
Secretary of Defense
Secretary of Treasury
Attorney General
Chairman of the Joint Chiefs of Staff
Director of the Office of Management and Budget
Director of Central Intelligence
← Observers - not named yet.

The Foreign Intelligence Advisory Group shall:

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- ✓ • Review at least annually the program of the 40 Committee.

The Foreign Intelligence Advisory Group shall be supported by the NSC staff.

FACT SHEET

THE 40 COMMITTEE

The reconstituted 40 Committee shall consist of:

Assistant to the President for National
Security Affairs, Chairman
Secretary of Defense
Secretary of State
Chairman of the Joint Chiefs of Staff
Director of Central Intelligence

Official observers shall be:

Attorney General
OMB representative

The 40 Committee shall:

- Approve all new covert actions
- Approve certain sensitive reconnaissance activities
- Conduct continuing reviews of ongoing covert actions

Formal meetings of the 40 Committee are required for all approval actions of the 40 Committee.

FACT SHEET

Discussion

INTELLIGENCE OVERSIGHT PROCESS

Intelligence Oversight Group

Chaired by: Deputy Attorney General

Other members: Deputy Assistant to the President
for National Security Affairs (?)
PFIAB member designated by the
President (?)

Working Group: Counsel to the President
General Counsel, DOD
General Counsel, CIA
Legal Advisor, DOS

Duties:

- *Review the Inspect. Gen. offices in the*
Oversee Intelligence Community with respect to
propriety and legality.
- Receive and consider reports on (questionable)
activities from Inspectors General and General
Counsels of intelligence agencies, who may report
despite opposition of agency head; and individual
agency employees may send reports to the Group.
- Make periodic reports, at least quarterly, to
Attorney General and PFIAB.

*of questionable
propriety - legality*

*inspect
+ US activities
to "inspectors"*

Attorney General

- Receives and considers report from Intelligence
Oversight Group and PFIAB.
- Makes periodic reports, at least quarterly, to
the President on questionable activities, if any.

President's Foreign Intelligence Advisory Board

- Receives and considers reports of questionable
activities from Intelligence Oversight Group.
- Reports its views on these activities to the
Attorney General.

FACT SHEET

EXECUTIVE ORDER AND SECRECY

- I. Executive Order will be published containing:
- Responsibility of the Community leadership (Foreign Intelligence Committee, etc.)
 - Charters for each agency (generally taken from existing National Security Council Intelligence Directives).
 - Restrictions on intelligence activities.
 - Oversight of intelligence agencies.
 - Secrecy Agreements provision.
- II. To protect intelligence secrets, the President will:
- ✓ A) Submit legislation to protect "Sources and Methods".
 - ✓ B) Require all Executive Branch officials to sign a Secrecy Agreement as a condition for receiving certain classified foreign intelligence information.
 - C) NSC will conduct a review of the classification system.